

Message Text

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ACTION L-02

INFO OCT-01 ARA-10 ISO-00 A-01 OPR-02 RSC-01 /017 W

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R 080023Z JAN 75

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 5544

UNCLAS MEXICO 0187

E.O. 11652: N/A

TAGS: AFSP, MX

SUBJ: SALE OF PERSONAL AUTOMOBILES AND OTHER PERSONAL PROPERTY
ABROAD

REF: FAMC 378, FEBRUARY 1, 1966

FOR: L/M

1. AS RESULT RECENT 50 O/O INCREASE IN COST OF PREMIUM GASOLINE AT ALL PUMPS IN MEXICAN INTERIOR, MANY USG EMPLOYEES FEEL OBLIGED TO SELL STANDARD-SIZED CARS AND TO REPLACE THEM WITH COMPACTS AND SUBCOMPACTS. RECENT IMPOSITION OF LUXURY TAXES UP TO 30 O/O ON NEW CARS HAS CONSIDERABLY BRIGHTENED USED CAR MARKET AND HAS RESULTED IN OFFERS OF \$1 - 4,000 OVER PURCHASE PRICES FOR CARS ONE TO THREE YEARS OLD. THESE FACTS, PLUS US MANUFACTURER'S PRICE INCREASES ON 1975 MODELS AND, OF COURSE, GENERAL POCKET-BOOK IMPACT OF INFLATION HERE (WHICH RUNNING PERHAPS DOUBLE RATE THAT AT HOME) HAVE MOTIVATED EMPLOYEES TO OBTAIN MAXIMUM PROCEEDS FROM SALES OF THEIR CARS IN MEXICO.

2. IN THIS CONNECTION, A NUMBER OF EMPLOYEES HAVE QUESTIONED EMBASSY'S PRACTICE, DATING FROM 1966, OF ROUTINELY EXCLUDING FROM ACQUISITION COST (SECTION 14B, FAMC 378) FINANCE CHARGES PAID TO DEALERS, BANKS, CREDIT UNIONS, ETC., EVEN WHEN, AS IS CASE WITH SOME DEALERS, THESE CHARGES ARE SHOWN ON INVOICE AS PART OF PURCHASE PRICE. SOME EMPLOYEES STATE THAT MEXICO PRACTICE DIFFERS FROM THAT FOLLOWED AT OTHER POSTS WHERE ALL SUCH CHARGES ARE ROUTINELY INCLUDED IN ACQUISITION COST.

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3. WE WOULD APPRECIATE CLARIFICATION ON THIS POINT. EMPLOYEES

HAVE HAVE OBSERVED THAT FINANCE CHARGES HAVE BECOME PART OF THE REAL "COST" OF BUYING A CAR AT A TIME WHEN EVEN SUB-COMPACTS ARE IN THE \$3000 AND UP RANGE. IN ADDITION, HOST GOVERNMENT LIMITATIONS ON THE MAKES AND MODELS WHICH MAY BE IMPORTED BY STAFFS OF DIPLOMATIC MISSIONS, SUCH AS THOSE NOW RIGIDLY ENFORCED BY GOM, SEEM TO BE BECOMING THE RULE RATHER THAN THE EXCEPTION. THE EFFECT, MORE OFTEN THAN NOT, IS TO THROW PERSONAL PLANS AWRY AND TO COMPEL EMPLOYEES TO PURCHASE NEW CARS WHEN THEY HAVE NO PERSONAL NEED TO DO SO. FREQUENTLY SUCH UNPLANNED PURCHASES ARE ONLY POSSIBLE WITH THE "HELP" OF THE LOCAL LOAN COMPANY OR CREDIT UNION. ON BALANCE, WE SUPPORT A LIBERAL INTERPRETATION OF THE ACQUISITION COST DEFINITION TO INCLUDE FINANCE CHARGES AND FORESEE NO OBSTACLE TO ADMINISTERING A SALES CONTROL PROGRAM SO STRUCTURED.

4. ACTION REQUESTED: DETERMINATION BY THE DEPARTMENT THAT FINANCE CHARGES ARE PART OF THE PRICE OR ACQUISITION COST PAID FOR AUTOMOBILES THE SALE OF WHICH ABROAD IS CONTROLLED BY FAMC 378. CABLE REPLY IS REQUESTED SINCE WE ARE HOLDING ACTION ON PENDING REQUESTS FOR PERMISSION TO SELL UNTIL RESPONSE IS RECEIVED.

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